



## OFFICE OF GOVERNOR MARK DAYTON

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# A Fair Tax System for All Minnesotans

## Asking the Wealthiest 2% to Pay Their Fair Share

According to the Minnesota Department of Revenue's most recent tax incidence study, most low- and middle-income earners in Minnesota pay about 20% more of their income in state and local taxes than the wealthiest Minnesotans. In order to address that disparity, honestly resolve our state's budget deficit, and make long overdue investments in property tax relief, education and job creation, the governor's budget asks the wealthiest 2% of Minnesotans to pay their fair share in income taxes.

With an average taxable household income of \$617,000, the wealthiest 2% of Minnesotans are the only Minnesotans who will be asked to pay more in income taxes. By making this common-sense change to bring fairness to our state's tax code, we can raise \$1.1 billion to invest in property tax relief, schools, college affordability and job creation in our state.

In addition, the governor's proposal eliminates corporate tax loopholes for a small number of businesses. Currently, Minnesota spends \$323 million a biennium on tax breaks for 2% of Minnesota corporations with certain overseas holdings. The governor believes that money would be better spent on our state's schools, universities and job creation programs with a track record of success.

### A Fairer Tax System for Middle Class Minnesotans

According to the Minnesota Department of Revenue's most recent tax incidence study, middle-income Minnesotans pay 12.3% of their income in state and local taxes. But the wealthiest 2% of Minnesotans pay just 9.8%. Governor Dayton's budget delivers tax fairness by asking the wealthiest 2% of Minnesotans to pay a little more in income taxes.

» **Asking the Rich to Pay Their Fair Share.** The governor's budget creates a new 4<sup>th</sup> tier income tax bracket at 9.85% that will be paid only by the wealthiest 2% of Minnesotans. This new tax bracket will apply to all taxable income over \$250,000 for married joint filers and taxable income over \$150,000 for single filers.

» **\$1.1 billion in New Revenue.** This new tax bracket will solve our budget deficit and invest in property tax relief for all Minnesotans, a better education system, and crucial economic development measures to strengthen Minnesota's middle class.

» **98% of Minnesotans Will See No Income Tax Increase.** The governor's tax proposal ensures that the vast majority of Minnesotans will pay no income tax increase. Under the governor's plan, only 54,400 of Minnesota's 2.4 million income tax payers will pay more in income taxes.

### Closing \$323 Million in Business Tax Loopholes

Currently, 2% of corporations in Minnesota take advantage of a 25 year old tax loophole that rewards them for having certain overseas holdings. This costs the state \$323 million a biennium. The governor's budget would close those loopholes and end those tax breaks to fund programs with a proven track record of success in creating jobs.